
« We Plan To Attract Significant Means From Foreign Sources ».

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Interview to the Executive Director of Inecobank Mher Grigorian to Mediamax Agency (Banks.am)

- Lately "Inecobank" signed two credit contracts - with the EBRD at the sum of \$5mln (financing of micro- and small business) and with the BSTDB at the sum of \$3mln (financing of foreign trade). Will those contracts lead to the improvement of crediting conditions by "Inecobank"?

- "Inecobank" cooperates with many well-known international organizations, among which the International Financial Corporation (IFC), the European Bank for Reconstruction and Development (EBRD), KfW and others.

We are not going to limit ourselves to the above-mentioned financing sources, and in the course of 2007 we plan to attract significant sums from the foreign sources.

Our bank has always been adherent to the strategy of financing according to the market tariffs, and the given credits are not an exception. Unfortunately, the Armenian banks are not yet able to attract resources by very low interest rates, and taking into consideration the increasing demand for credits in Armenia, I consider it unlikely that the credit interest rates will decrease in the nearest future - especially in case of foreign currency credits.

-The international financial structures have been assisting your bank before in the sphere of financing of foreign trade. In particular, in 2005 "Inecobank" joined the program of EBRD on assistance in the sphere of foreign trade crediting. Does your bank have any plans as to the implementation of factoring service?

- The program of EBRD on financing foreign trade differs from the program of BSTDB. In the first case, direct financing is not being realized, but an issue of warrants and letters of credits, approved by international banks. What concerns the factoring, yes; we carry out works in that direction: we have organized trainings for the staff, initiated a small study of the market. I believe that in the course of 2007, we will conclude a few agreements with Armenian companies, which realize wholesale and small wholesale trade, but here we talk about the inner factoring yet.

- "Inecobank" is included in the program of the German KfW bank "Stable development of mortgage market". Can we suppose that the mortgage credits, provided within the framework of the program, will become privileged for mortgage borrowers, and how will in this case the issue of selection of potential borrowers be decided upon?

- There are so-called "minimal standards of the credit qualities" elaborated within the framework of the program, which determine the criteria of the borrowers' selection. Unfortunately, the given criteria are quite strict and allow involving only the most solvent group of the potential borrowers. On the other hand, this is natural: the 6mln euro, allocated by the KfW for crediting, is not a large sum,

so we cannot talk about a large-scale mortgage program.

- Starting from December of 1997, "Inecobank", first from all the Armenian commercial banks started to service the trade of consumer goods on credit. Do you preserve the leading position in the given segment?

- Quite true, when 10 years ago "Inecobank" started granting consumer credits, it was the only one to realize such activities, and today almost all the banks provide the given service. It is well-known that each product has a cycle of existence, and we aim at not preserving the leadership, but changing the format of consumer crediting, facilitating and accelerating its process.

Our bank has elaborated a system, named "On the spot crediting", that is the crediting in the shop. The customers will not have to visit the bank anymore before they make the purchase - the whole procedure will be realized immediately in the shop by means of the electronic system, worked out by "Inecobank". We believe that the given direction is one of the priority ones and think that as soon as it is put into operation, we will strengthen our positions.

- Lately, it is more often talked about the necessity to increase the growth of trust of the population for the banking system. What steps does your bank take up in that direction?

- We pay special attention to the image of the bank, and up till now there has been no case that would negatively influence the reputation of our bank. An important role is played in the formation of the image and the increase of trust for the bank by the irreproachable reputation of our share-holders, among which are the international institutional investors IFC and ShoreCap International, as well as the trust from the part of our international partners: EBRD, KfW, ADB and others.

To be granted a credit by this or that international organization or a bank, we undergo a certain procedure of legal and financial examination, which is called Due Dilligence - a set of measures, which are taken up to check and to objectively assess the legality and the financial situation of the bank. Our bank has undergone 5 such examinations, and each time - successfully.

By the way, last year the volumes of assets, attracted by our bank from individuals, exceeded the indices of 2005 by 26.8%, which we relate to the growth of trust for the bank.

- Lately, the International Financial Corporation (IFC) became the 10% share-holder of "Inecobank". Should we expect any changes in the strategic policy of the bank?

- Surely, the participation of an organization, such as IFC, plays an important part in the development of the bank, implying an inflow of new resources both from the population and the international financial organizations. The attracted assets will be directed to both the development of the current services and the elaboration and provision of new ones, which will assist the general development of the bank.

It is natural that together with the development and the enlargement of the bank, some changes will take place in its strategy as well, but our main goal will remain unchanged - the maximal satisfaction of the customers' needs. The bank has been and will be adherent in the future to the principles of customer-oriented activities.
